

GUARANTEED SOCIAL SECURITY COST-OF-LIVING INCREASE FOR 1984

SEPTEMBER 28, 1984.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 6299]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 6299) to ensure the payment in 1985 of cost of living increases under the OASDI program in title II of the Social Security Act, and to provide for a study of certain changes which might be made in the provisions authorizing cost of living adjustments under that program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE AND SCOPE

The committee's bill amends title II of the Social Security Act to provide for a one-time waiver of the present law requirement that a social security cost-of-living benefit increase only be paid in years in which the consumer price index [CPI] for the applicable measuring period (average of the third quarter of the previous year compared to average of the third quarter of the benefit increase year) increases by at least 3 percent. This waiver, effective only for the December 1984 benefit increase, will ensure that social security beneficiaries will receive a cost-of-living increase in their January 1985 benefit checks.

II. SUMMARY AND EXPLANATION OF PROVISIONS

Present law

The current provision for automatic cost-of-living increases was enacted in 1972. The automatic increase, or COLA, was intended to control the process of periodic benefit increases, insuring that they did not generally exceed increases in the cost of living, and to provide increases on a regular, predictable basis.

This original provision contained the requirement that an increase would only be paid in years in which the CPI increases by at least 3 percent during the measuring period. The measuring period is defined in the law as the average CPI for the third quarter of the year of the increase over the average for the third quarter of the previous year. If in any year the CPI does not increase by 3 percent or more, the measuring period continues to run from the year of the last increase, so that in the next year, a cumulative increase would be calculated.

For example, if the CPI rose by 2.9 percent from the third quarter of 1983 through the third quarter of 1984, no COLA would be paid in January 1985. The following year, the change in the CPI would be measured from the third quarter of 1983 through the third quarter of 1985, a 2-year period; thus, the January 1986 increase would include the 2.9-percent increase for 1983-84, as well as subsequent inflation for 1984-85.

Since the first year of the automatic provision, a COLA has been paid every year, in amounts well above 3 percent. The lowest COLA so far—3.5 percent—was paid in January 1984, delayed from July 1983 as a result of the Social Security Reform Amendments of 1983. Several other social security program changes occur each year as a result of increases in social security benefits:

- (1) The contribution and benefit base increases by the amount of the increase in average covered wages;
- (2) The amount of earnings exempt from the retirement test increases by the same percentage;
- (3) SSI benefits increase by the same amount as social security benefits;
- (4) Part B Medicare—SMI—premiums increase (although the 1985 SMI premium will occur whether or not a COLA is paid).

There has been some concern that a social security COLA might not be automatically payable in January 1985. Data through June indicated that the CPI for the measuring period would very likely be less than 3 percent. As a result, the President announced on July 24 that he would seek to guarantee the payment of this year's COLA even if current law did not require it. Shortly afterward, the Senate approved H.R. 1428, providing for a one-time waiver of the 3-percent trigger.

The most recent CPI figures indicate that a benefit increase of at least 3.3 percent is now the most likely occurrence, and that there is very little chance that the 3-percent trigger will not be met. However, it will not be known definitely whether or not the CPI has exceeded the 3-percent level until close to the end of October, well after Congress is scheduled to adjourn for the year.

Explanation of provision

The bill provides for a one-time waiver of the 3 percent trigger for the December 1984 benefit increase, so that the social security COLA for 1984 is guaranteed, regardless of the actual rate of CPI increase. The amount of the increase would be whatever the actual rate of increase was calculated to be for the measuring period. The bill also requires the Office of the Actuary of the Social Security Administration to conduct a study of the COLA provision, to evaluate the long-term effects of eliminating the trigger permanently, or reducing it to 1 per-

cent. The study would also include an examination of possible changes in the measuring period, for example moving the period to the second calendar quarter or first quarter, or eliminating the cumulative feature in cases where a COLA is not paid for 1 or more years. Finally, the study would explain in detail the long-term assumptions concerning the frequency of COLA's of 3 percent and of 1 percent, and of periods of deflation.

Effective date

The provision is effective upon enactment.

III. COST ESTIMATE; VOTE OF THE COMMITTEE AND OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the committee states that the bill was approved by voice vote.

In compliance with clause (2)(1)(3)(A) of rule XI of the Rules of the House of Representatives, the committee reports that the need for legislation to assure the social security benefit increase has been confirmed by oversight findings of the Subcommittee on Social Security.

In compliance with clause (2)(1)(3)(D) of rule XI of the Rules of the House of Representatives, the committee states that no oversight findings or recommendations have been submitted to the committee by the Committee on Government Operations with respect to the subject matter contained in this bill.

In compliance with clause (2)(1)(4) of rule XI of the Rules of the House of Representatives, the committee estimates that enactment of the bill will not create any inflationary pressures on the national economy.

In compliance with clause (2)(1)(3)(B) of rule XI of the Rules of the House of Representatives, the committee states that the bill does not provide new budget authority or new or increased tax expenditures.

In compliance with clauses 7(a) of rule XIII of the Rules of the House of Representatives, the committee states that it agrees with the estimate of the Congressional Budget Office.

In compliance with clause (2)(1)(3)(C) of rule XI of the Rules of the House of Representatives, the committee states that the Congressional Budget Office has reviewed the bill as reported by the committee and has submitted the following statement.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 27, 1984.

HON. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 6299, a bill to ensure payment of the December 1984 Social Security automatic cost-of-living benefit adjustment, as ordered reported by the House Committee on Ways and Means, September 26, 1984.

This bill amends the Social Security Act so that there will be an automatic cost-of-living adjustment (COLA) for Social Security recipients if the actual increase in the Consumer Price Index for 1984 is less than 3 percent. Under current law, if the increase is less than 3 percent, no COLA is given in that year. The bill eliminates the trigger requirement for one year only. CBO's current economic forecast assumes a 1984 COLA of 3.2 percent (first paid in January 1985), therefore, CBO would project no additional costs to federal, state or local governments as the result of this bill's enactment.

The bill also requires a COLA study by the Social Security Administration including an analysis of the impacts of setting the COLA threshold at 2, 1, or 0 percent. It is expected that this study can be completed without adding to the Social Security workforce.

If you wish further details on this estimate, we will be pleased to provide them. Stephen Chaikind and Carmela Pena (226-2820) are the staff contacts for this estimate.

Sincerely,

ERIC HANUSHEK
(For Rudolph G. Penner).

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PAYMENT RATES FOR HOSPICE HOME CARE UNDER MEDICARE

SEPTEMBER 28, 1984.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 5386]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means to whom was referred the bill (H.R. 5386) to amend part A of title XVIII of the Social Security Act with respect to the payment rates for routine home care and other services included in hospice care, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert:

That (a) section 1814(i)(1) of the Social Security Act (42 U.S.C. 1395f(i)(1)) is amended—

(1) by inserting "(A)" after "(i)(1)", and

(2) by adding at the end the following new subparagraphs:

"(B) Notwithstanding subparagraph (A), the rate of payment per day for routine home care furnished during fiscal year 1985 shall be \$53.17.

"(C) With respect to care and services furnished on or after October 1, 1985, the Secretary shall, not less often than annually, review and make appropriate adjustments to the payment rate for routine home care and the payment rates for other services included in hospice care based on the costs that are reasonable and related to the costs of furnishing such care and services. The Secretary shall report to Congress on October 1 each year on such review and such adjustments and on the adequacy of the rates under this paragraph to ensure participation by an adequate number of hospice programs under this title."

(b) The amendments made by this Act shall apply to routine home care and other services included in hospice care furnished on or after October 1, 1984.

I. INTRODUCTION

PURPOSE

The Committee bill, H.R. 5386, would increase the hospice reimbursement rate for routine home care days under Title XVIII of the Social Security Act and would require that the Secretary would not less often than annually review, and as appropriate, adjust the hospice reimbursement rates to reflect costs that are reasonable and related to the costs of furnishing such care and services. The Committee believes that increasing the reimbursement rate for home care is necessary in order to adequately reimburse hospice programs for the cost of providing such care.

BACKGROUND AND NEED FOR LEGISLATION

Section 122 of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982, provided reimbursement under the medicare program for a new category of medicare providers, hospice programs. P.L. 97-248 required that hospice programs be reimbursed an amount equal to the costs which are reasonable and related to the cost of providing hospice care (or based upon such other test of reasonableness as the Secretary may prescribe). In addition the hospice programs would be subject to a cap (calculated individually but applied in the aggregate), subsequently set in Public Law 98-90, at \$6,500 (indexed annually by the medical care expenditure category of the Consumer Price Index).

In response to this legislation, the Department of Health and Human Services established a prospective payment system for hospice care. Payment rates based on very little data were established for each day a patient was in the hospice program. Daily rates of \$46.25 for routine home care, \$358.67 for continuous home care, \$55.33 for inpatient respite care and \$271.00 for general inpatient care were established.

The hospice benefit became effective November 1, 1983, however, by September 1984 only 119 hospice programs nationwide had been certified and approved as medicare hospice providers. Although it is unclear as to why so many hospice programs are not participating, many have stated that the low prospective payment rates, especially for daily home care which constitutes about 80% of the care provided, as a major reason.

II. SUMMARY

H.R. 5386 would establish the routine home care payment rate at \$53.17 per day services furnished during the 12 month period beginning October 1, 1984.

In addition, the Secretary would be required to review beginning October 1, 1985, and not less often than annually thereafter, and as appropriate, adjust the payment rate for routine home care and for other services included in hospice care based on the costs that are reasonable and related to the costs of furnishing such care and services. The Secretary would be required to report to the Congress on October 1 of each year, on such review and on the adequacy of

the rates in ensuring participation by an adequate number of hospice programs.

The Committee believes that hospice care is a compassionate and cost effective alternative to traditional care and should be available to medicare beneficiaries. The Committee wishes to express its concern that the Department of Health and Human Services has not established the hospice program high on their agenda of priorities. The Committee is therefore reiterating their request for the General Accounting Office to continue to be closely involved with the monitoring of the implementation of the hospice benefit and to continue to keep the Committees of jurisdiction informed of developments in this area.

The language in this legislation should not be interpreted to mean that the Secretary has no obligation to review the reimbursement rates for other than the daily home care rate until October 1, 1985. The Committee anticipates that the Secretary will review these reimbursement rates as soon as adequate cost report information from the participating hospice programs becomes available. The Committee wishes to express its dissatisfaction with the action taken to date on collecting cost information. The Committee understands that cost report forms have still not been made available to hospice programs nearly a year after the beginning of the hospice program. This is totally unacceptable and the Committee believes that the Secretary should make every effort to make these forms available and to start analyzing cost report information at the earliest opportunity.

III. BUDGET EFFECTS OF THE BILL

1. COMMITTEE ESTIMATE

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives, the following statement is made: The Committee agrees with the cost estimate prepared by the Congressional Budget Office which is included below. This estimate indicates that there will be additional program expenditures under the Health Insurance Trust Fund of no more than \$1 million in Fiscal Year 1985 and no more than \$3 million in Fiscal Year 1986.

2. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

With respect to clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives, the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures, to the extent applicable to this bill, is contained in the Congressional Budget Office cost estimate below.

3. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by the Congressional Budget Office is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 27, 1984.

HON. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 5386, a bill to amend Part A of title XVIII of the Social Security Act with respect to the payment rates for routine home care, as ordered reported by the House Committee on Ways and Means on September 26, 1984.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ERIC HANUSHEK
(For Rudolph G. Penner.)

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 5386.
2. Bill title: A bill to amend Part A of title XVIII of the Social Security Act with respect to the payment rates for routine home care.
3. Bill status: As ordered reported by the House Committee on Ways and Means, September 26, 1984.
4. Bill purpose: This bill would amend the Social Security Act to increase the payment rate of routine home care under the Medicare hospice election benefit.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1985	1986	1987	1988	1989
Budget authority	(¹)	(¹)	(¹)		
Outlays	1	3	(¹)		

¹ Less than \$500,000.

The costs of this bill fall within budget function 550.

Basis of estimate

This legislation would increase the daily Medicare reimbursement for routine home care under the hospice election benefit from \$46.25 to \$53.17. The legislation would be effective for hospice care furnished during fiscal year 1985. For care furnished after fiscal year 1985, the Secretary of Health and Human Services would be required to review and appropriately adjust this payment rate. The estimated costs for this legislation are \$1 million in 1985 and \$3 million in 1986. As the hospice benefit will expire in 1987, except for those beneficiaries who are already enrolled in the program, the costs for 1987 would be negligible.

The costs of this legislation were calculated by multiplying the \$6.92 rate increase by the number of beneficiaries by the number of days of routine home care. Unfortunately, as this program has

only been in effect since November 1983, the data on hospice length of stay and on the number of beneficiaries is very limited.

The data from the hospice demonstration projects indicated that the average length of stay in a hospice was between 60 and 70 days. However, the demonstrations did not limit the total number of hospice days of care, as does current law under Medicare. A small number of patients had very long stays. The median length of stay for the demonstrations was only about 35 days.

The data on the number of patients is more difficult to pinpoint. Based on a 1984 telephone survey, the National Hospice Organization concluded that about 6,000 patients could reasonably be expected to use the Medicare Hospice benefit in 1985. This number was much lower than either the original CBO or the administration's estimate of hospice beneficiaries. In fact, current HCFA records indicate that only about 1,280 patients will have elected the hospice benefit by September of 1984.

In calculating the estimated costs of this legislation, we assumed that the average length of stay would be about 35 days. CBO also assumed that although participation was lower during the first year of the program, it could reasonably be expected to increase as the program matured and as more hospices became certified for participation in Medicare. Based on the recent growth in certified hospices, we estimated a participation of about 4,000 patients in 1985 and 10,000 in 1986. Additionally, we assumed that the reimbursement rate for the routine home care benefit would be increased in 1986 to reflect price increases. Therefore, the estimated costs of this legislation would be \$1 million and \$3 million in 1985 and 1986, respectively.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Hinda Ripps Chaikind.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

1. VOTE OF THE COMMITTEE

In compliance with clause 2(1)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made: the bill H.R. 5386, as amended, was ordered favorably reported to the House of Representatives by voice vote.

2. OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation has been confirmed by oversight investigations conducted by the Subcommittee on Health.

3. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, the committee states that no oversight

findings and recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

4. INFLATION IMPACT

Pursuant to clause 2(l)(4) of Rules XI of the Rules of the House of Representatives, with regard to the inflationary impact of the reported bill. The Committee believes that the bill has no measureable effect on health care prices or consumer prices generally.

V. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

SECTION 1814 OF THE SOCIAL SECURITY ACT

CONDITIONS OF AND LIMITATIONS ON PAYMENT FOR SERVICES

Requirement of Requests and Certifications

SEC. 1814. (a) * * *

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Payment for Hospice Care

(i)(1)(A) Subject to the limitation under paragraph (2) and the provisions of section 1813(a)(4), the amount paid to a hospice program with respect to hospice care for which payment may be made under this part shall be an amount equal to the costs which are reasonable and related to the cost of providing hospice care or which are based on such other tests of reasonableness as the Secretary may prescribe in regulations (including those authorized under section 1861(v)(1)(A)) except that no payment may be made for bereavement counseling and no reimbursement may be made for other counseling services (including nutritional and dietary counseling) as separate services.

(B) Notwithstanding subparagraph (A), the rate of payment per day for routine home care furnished during fiscal year 1985 shall be \$53.17.

(C) With respect to care and services furnished on or after October 1, 1985, the Secretary shall, not less often than annually, review and make appropriate adjustments to the payment rate for routine home care and the payment rates for other services included in hospice care based on the costs that are reasonable and related to the costs of furnishing such care and services. The Secretary shall report to Congress on October 1 each year on such review and such adjustments and on the adequacy of the rates under this paragraph to ensure participation by an adequate number of hospice programs under this title.

(2)(A) The amount of payment made under this part for hospice care provided by (or under arrangements made by) a hospice program for an accounting year may not exceed the "cap amount" for

the year (computed under subparagraph (B)) multiplied by the number of medicare beneficiaries in the hospice program in that year (determined under subparagraph (C)).

(B) For purposes of subparagraph (A), the "cap amount" for a year is \$6,500, increased or decreased, for accounting years that end after October 1, 1984, by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the Consumer Price Index for All Urban Consumers (United States city average), published by the Bureau of Labor Statistics, from March 1984 to the fifth month of the accounting year.

(C) For purposes of subparagraph (A), the "number of medicare beneficiaries" in a hospice program in an accounting year is equal to the number of individuals who have made an election under subsection (d) with respect to the hospice program and have been provided hospice care by (or under arrangements made by) the hospice program under this part in the accounting year, such number reduced to reflect the proportion of hospice care that each such individual was provided in a previous or subsequent accounting year or under a plan of care established by another hospice program.

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